U.S. Trust Insights on Wealth and Worth™

Survey of High Net Worth and Ultra High Net Worth Americans
2011 Highlights

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Bank of America Private Wealth Management

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Important Disclosures

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Methodology

- Conducted in January and February 2011, U.S. Trust *Insights on Wealth and Worth* is based on a nationwide survey of approximately 450 wealthy Americans, with $3 million or more of investable assets, excluding primary residence but including retirement assets.
- U.S. Trust commissioned the independent research firm Phoenix Marketing International to conduct the survey, which was administered online and lasted an average of approximately 20 minutes. A total of 457 questionnaires were completed; all respondents had stated liquid assets of at least $3 million and were drawn from a pre-screened panel. Verification of self-reported asset information used algorithms in place to ensure consistency of information and were confirmed with questions in the survey itself.
- All data have been tested for statistical significance at the 95 percent confidence level.

Introduction

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U.S. Trust Insights on Wealth and Worth is one of the most in-depth studies of its kind to explore both the rational and emotional perspectives of the high net worth and ultra high net worth in the United States. U.S. Trust has conducted surveys of wealthy Americans periodically since 1993.

Key topics covered in the 2011 U.S. Trust Insights on Wealth and Worth are:

- *Attitudes about wealth, worth and the use of wealth*
- *Estate planning, financial planning and intergenerational wealth transfer*
- *Investment outlook and tax policy*
- *Relationships with financial advisors*

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Highlights

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The majority of wealthy people earned their money on their own.

- Over three-fourths of respondents accumulated their wealth through earned income from their occupation and investments. Only 27 percent accumulated any of their wealth through inheritance.

They primarily attribute their wealth to focus and hard work, and accumulated their wealth, in many cases at a personal cost.

- 84 percent say their wealth is a byproduct of focus and hard work. Nearly one-half also believe intellect and personal values played a key role. Even three quarters of those who received large inheritances say their wealth is the byproduct of focus and hard work. Only 14 percent of respondents attribute their wealth to being part of a family that is financially fortunate.
- Nearly half (47 percent) say there are consequences associated with accumulating the wealth they have, including not taking enough time off, being too busy to spend time with family, mishandling personal relationships and even letting their physical health suffer.

Nearly all respondents are wealthier than their parents, yet roughly half do not expect their heirs to attain the same level of wealth, in part because they don't think heirs are prepared to handle family money and they are not seeking or receiving advice to turn personal assets into multi-generational family wealth.

- Only 12 percent of those surveyed said it is highly likely that next generation heirs will attain the same level of wealth or more.

Four in 10 still do not consider themselves wealthy, yet many don't consider their wealth to be a measure of their worth.

- Only one-third consider the value of their assets to be a very important measure of their personal success and self worth.
- The most important measures of personal success/self worth are the quality of relationships with family and friends and the success of children.

Highlights cont'd

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The most important use of wealth is to secure financial security for themselves and their families.

- Slightly less than half (49 percent) feel that leaving a financial inheritance is personally important
- Thirty-six percent said that making a positive impact on society and 13 percent said that leaving a lasting legacy of contribution to society are important goals in the way they want to use their wealth.

Nearly all (95 percent) have a clearly defined set of values that are important to them in the way they want to use their wealth and that their financial goals are aligned with their personal values.

- Almost as many (98 percent) also say that their current financial strategy is on track to accomplish their financial goals.

While many have taken action to develop financial and estate plans, their plans do not include a broader set of more sophisticated solutions, such as trusts available to those with greater wealth for protection of their assets. There is a gap between the importance they place on providing family security and what they are actually doing in terms of estate planning.

- While 91 percent of respondents have a will and 88 percent have an estate plan, nearly four in 10 acknowledged that they do not have an estate plan that is comprehensive.
- In some cases, basic elements of an estate plan are missing. One in five has not established a living will (20 percent) and one in three (31 percent) has not named a durable financial power of attorney.
- Nearly half (48 percent) have not established an irrevocable trust; more than seven in 10 do not have a life insurance trust or irrevocable trust of any kind, and nine in 10 have not established a charitable trust, despite the value of trusts in protecting family assets, mitigating taxes and passing on legacy goals.
- Fifty-six percent have not documented personal property and assets, and roughly half have not documented instructions about the distribution of personal property or assets among heirs, even though one-quarter acknowledge their heirs don't understand their wishes for how to divide special possessions.
- Nearly half (46 percent) do not strongly agree that they understand all the elements of their estate plan.
- One in five has never introduced their spouse or next generation heirs to the professionals managing their financial affairs.
- Only 3 percent of business owners have a business succession plan as part of their estate planning documents.

Highlights cont'd

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Financial plans do not account for the unexpected.

- Four in 10 (43 percent) do not have a financial plan that factors in the impact of long-term care and/or end of life healthcare costs on family wealth.
- And one in 10 (13 percent) have never discussed their wishes or intentions for long-term care or end of life healthcare with their spouse or significant other.
- Six in 10 (62 percent) have no plan in place to care for aging relatives.

Next generation heirs are not well prepared to handle the financial and emotional responsibilities of wealth.

- Only about one-third (34 percent) of parents agree strongly that their children will be able to handle the inheritance they plan to leave them.
- Only 36 percent of parents strongly agree their children will be able to work together to make decisions to manage the family wealth after they are gone.
- About half (52 percent) of parents have not fully disclosed their wealth to their children, and another 15 percent have disclosed nothing at all, largely because of concerns about how it might affect their children's lives and or that their children will squander the family money.
- While two thirds (67 percent) of parents agree or strongly agree that their children would benefit from discussions with a financial professional, nearly six in 10 (59 percent) have never introduced their children to the professionals managing their financial affairs.
- Nearly half (45 percent) do not believe their children will reach a level of financial maturity to handle the family money they will inherit until they are at least 35 years old.

Highlights cont'd

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The wealthy are not talking with an advisor about a full range of holistic solutions to preserve multigenerational family wealth or legacy goals.

- More than a quarter (27 percent) have never discussed intergenerational wealth transfer with their advisor.
- Sixteen percent have never discussed anything about their estate plan and one in 10 has never sought any wealth structuring advice at all with their advisor.
- One-half of respondents (50 percent) have never discussed ways of teaching children to handle wealth responsibly or any of the emotional aspects of wealth; and 31 percent have never discussed the financial needs or expectations of their children.
- Thirty-seven percent have never discussed their legacy goals and 44 percent have never discussed their philanthropic aspirations with their financial advisor.

There is uncertainty about taxes.

- More than two-thirds either do not agree or do not agree strongly that their investment portfolios are structured properly to minimize the impact of taxes.
- One-third expect taxes on those who earn more than $1 million to increase after 2012.
- Three-quarters (78 percent) said they feel a growing sense of animosity in the country toward wealth, and nearly two-thirds (65 percent) feel that higher taxes on the wealthy unfairly penalizes financial success.
- Two-thirds agree that there is an economic benefit of wealth that is ultimately beneficial to society.
- While nearly half of people surveyed (48 percent) said they would pay more in taxes for the common good, more said they would be willing to pay higher taxes if there were a direct benefit to their local community.

A picture of wealth

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There are now approximately 5.6 million households in the U.S. with more than $1 million in investable assets, including 4.8 million with $1M-$4.99M and 782,000 households with more than $5 M in investable assets, of which approximately 182,000 have greater than $10 million in investable assets.

All respondents to U.S. Trust Insights on Wealth and Worth have in excess of $3 million in investable assets as follows:

  - 63 percent have between $3 million and $5 million
  - 27 percent have between $5 million and $10 million
  - 10 percent have greater than $10 million
- The average age of respondents is 61.
- 58 percent are men; 42 percent are women.
- Approximately half had total gross 2010 household income of less than $250,000.
- 86 percent are married, including 65 percent in their first marriage; 18 percent remarried and 3 percent married or living with a same-sex partner; 6 percent are widowed; and 3 percent are divorced.
- 81 percent have children, including 22 percent with children under the age of 22, 15 percent with children between the ages of 22 and 25 and 65 percent with children over the age of 25.

Phoenix Marketing International, AMS Market Sizing Update, September 15, 2010

Detailed Findings

Accumulation of wealth: Creating it, putting it to good use, giving it back

Ways the majority of assets have been accumulated

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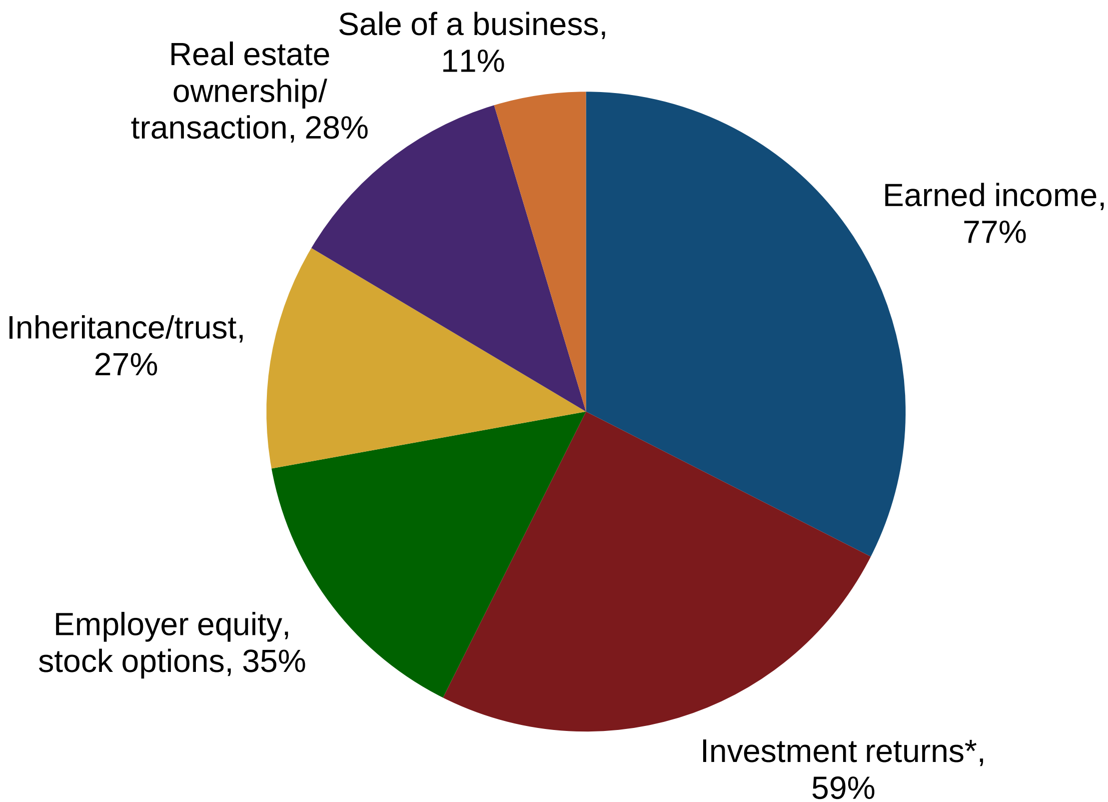
- **Over three-quarters accumulated their wealth, on their own, through earned income from their occupation, followed by investment returns.**

- **Only 27 percent accumulated any of their wealth through an inheritance.**

Wealth accumulation method



Q1. Which of the following describes how you have accumulated the majority of your financial assets? (select all that apply)

*Not including personal residential real estate

Note: Adds to more than 100 percent because multiple responses were selected.

Wealth was earned through hard work, intellect and personal values

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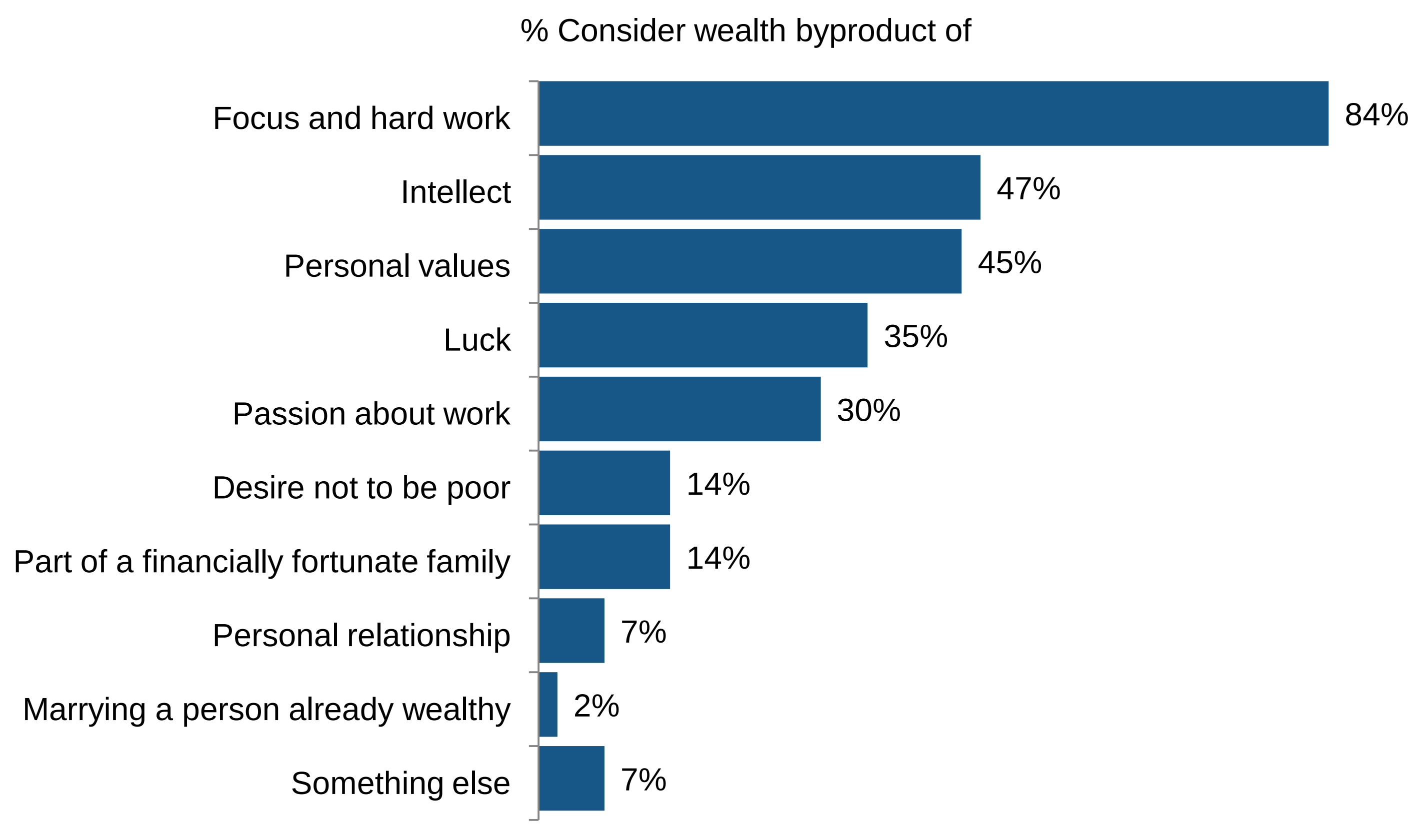
- **More than eight in 10 respondents (84%) believe their wealth is a byproduct of focus and hard work, and nearly one-half also believe intellect and personal values played a key role.**
- **Only 14 percent say their wealth is the result of being part of a financially fortunate family.**
- **Even among the 27 percent for whom a majority of wealth was inherited, three-quarters (74%) attribute their wealth to focus and hard work.**



Q3. Would you say your wealth is the byproduct of…? (select all that apply)

Some accumulated their wealth at a personal cost

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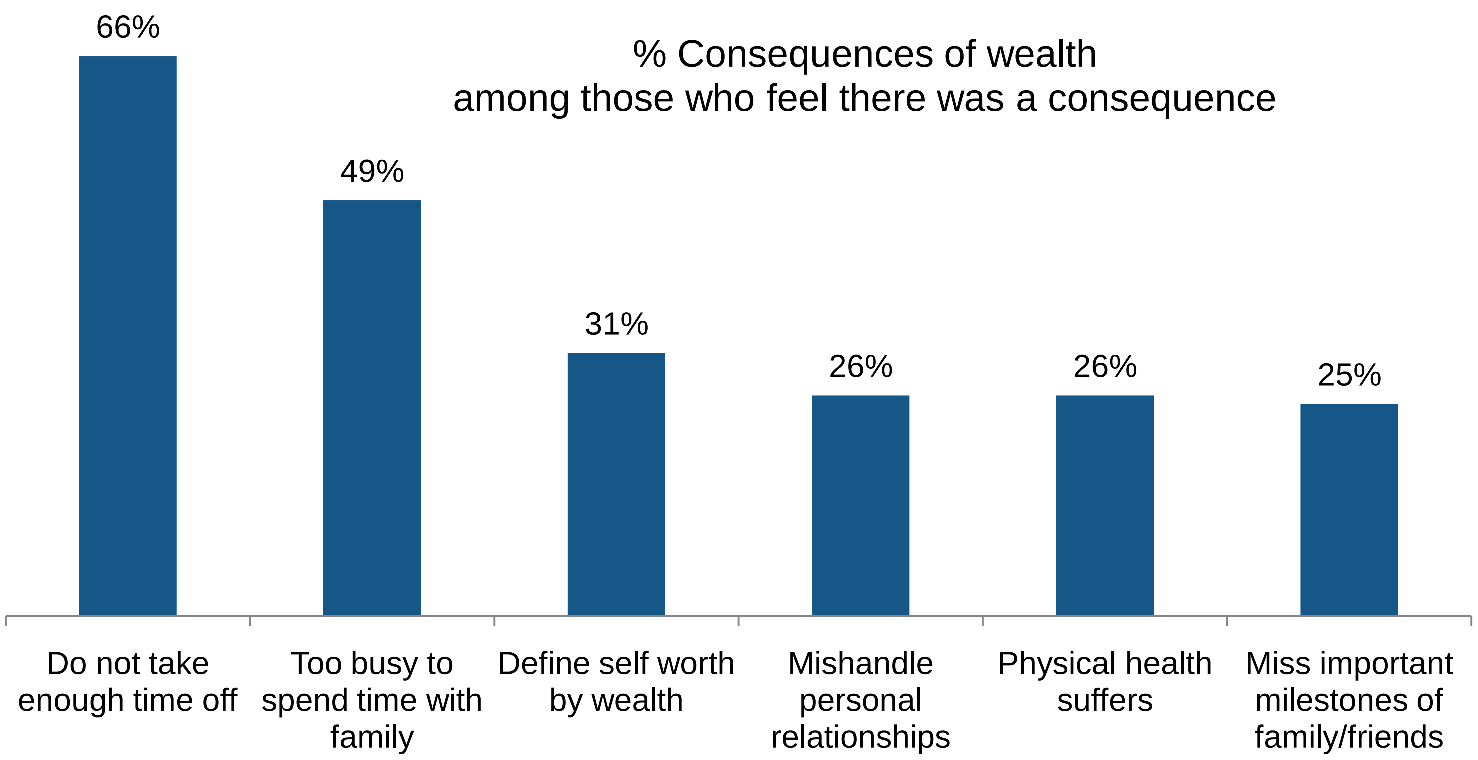
- **More than half (53 percent) said there have been no negative consequences as a result of building their wealth.**
- **However, among those who said there are consequences, they feel that their work to create wealth has come at a personal cost. They have not taken enough time off and are often too busy to spend time with family. Approximately one-quarter said their physical health has suffered.**



Q.33. Which of the following would you say is a consequence that comes about as a result of building our wealth? (select all that apply)

Most are wealthier than their parents, but half don't expect the same for the next generation

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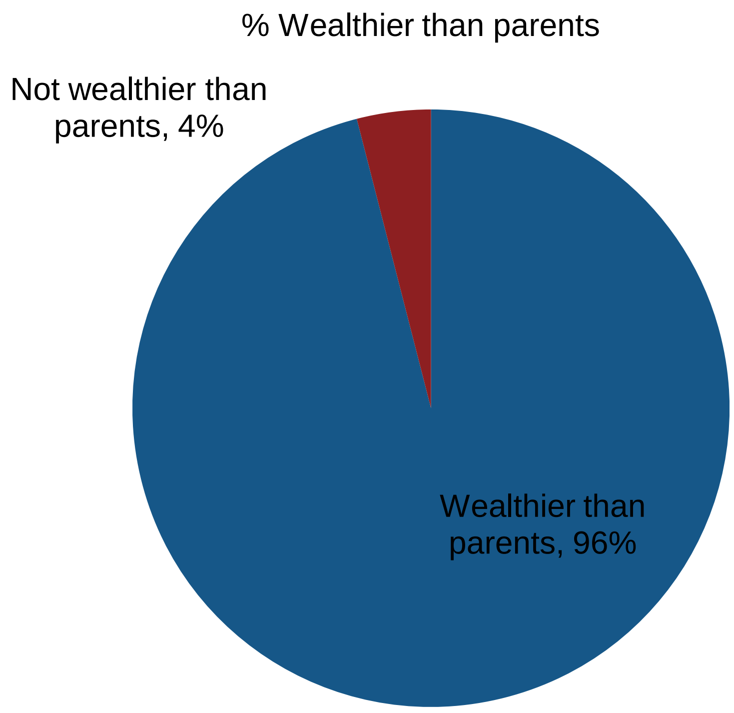
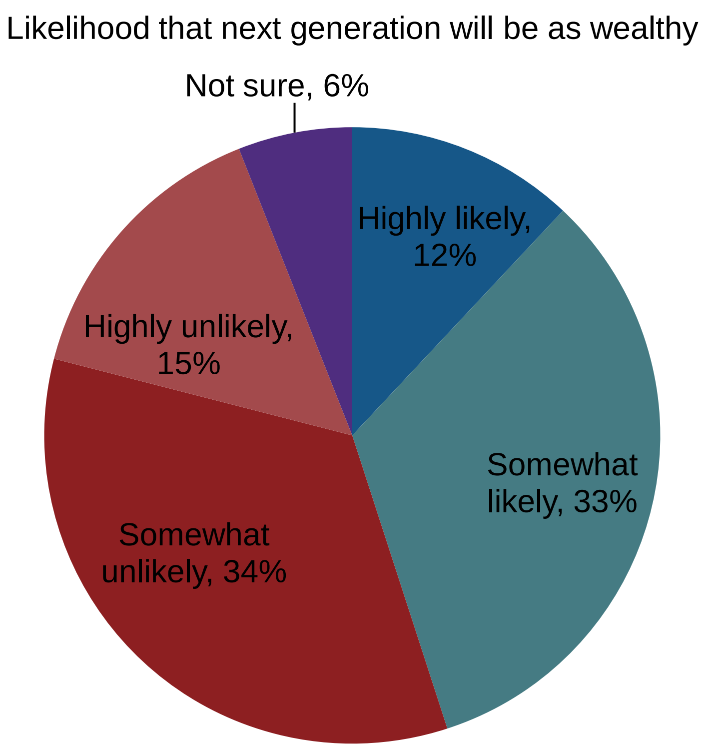
- **Nearly all (96 percent) are wealthier than their parents.**
- **Nearly half (49 percent) think it's unlikely next generation heirs will achieve a level of wealth that is equal to or higher than what they have experienced.**





Q4. Are you wealthier now than your parents were when you were growing up?

Q7. How likely do you think it is that your {Child/Children/next generation heirs} will have an equal or higher level of wealth throughout their lifetime compared to what you have experienced?

40 percent don't consider themselves wealthy; those who do have various reasons

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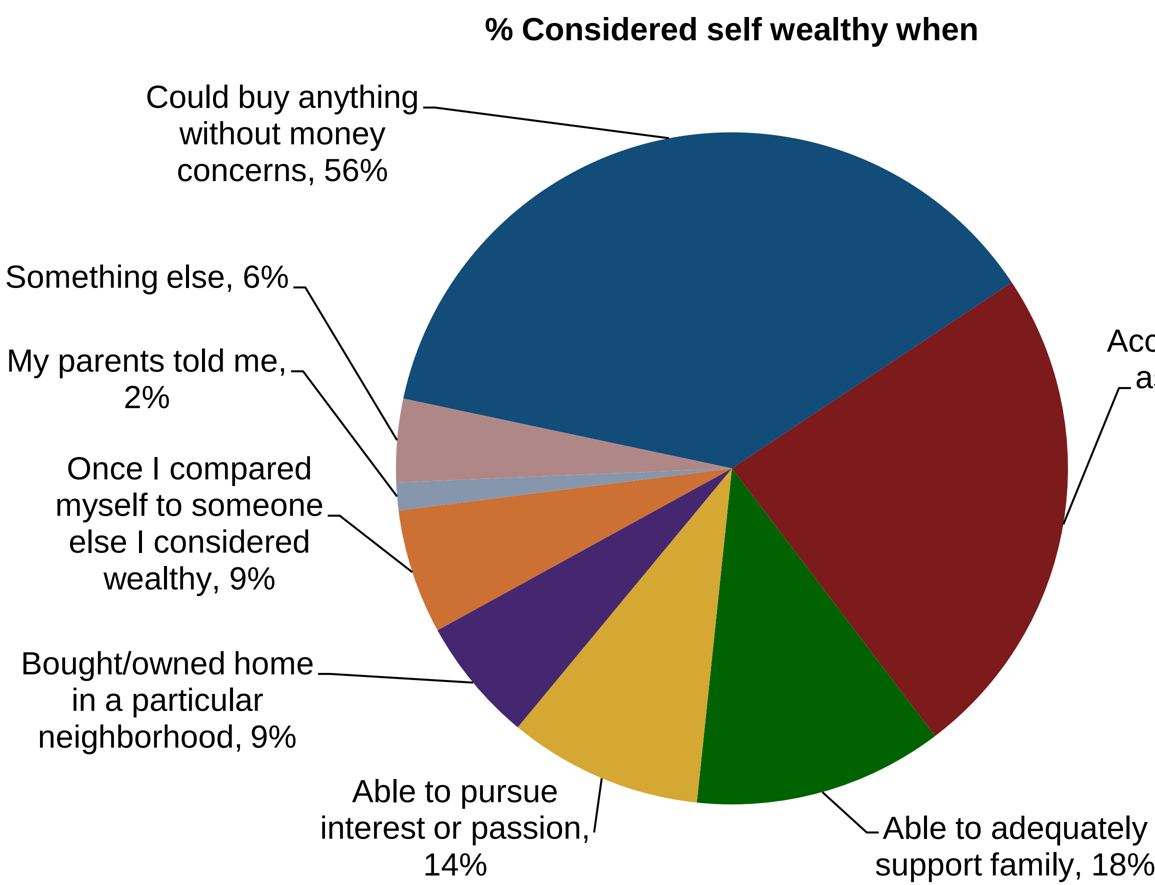
- **Among those who consider themselves wealthy, one-third said it was when they could buy whatever they want without worrying about money.**
- **36 percent considered themselves wealthy once they accumulated a certain asset level:**
  - **$1M - $2M (23%)**
  - **$2M - $4M (28%)**
  - **$5 M - $10M (15%)**
  - **$10M of more (4%)**



Q2. What made you first consider yourself wealthy? (select all that apply)

Family, more so than wealth, is the measure of one's worth

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- **The two most important measures of personal success and self worth are quality of relationships with family and friends and success of children.**
- **By comparison, only one in three considers wealth to be a very important measure of worth.**

Ranking	Important Measure of Worth	% "very important"
#1	Quality of relationships with family and friends	70%
#2	Success of my children	60%
#3	Ability to take action on important goals	57%
#4	Self-esteem	52%
#5	Career satisfaction / achievements	50%
#6	Success of my business	46%
#7	Value of assets/wealth	33%
#8	Giving back through philanthropy	28%

Q8. How important is each of the following to you as a measure of your personal success/worth?

Values guide the use of wealth, and financial and personal goals are aligned

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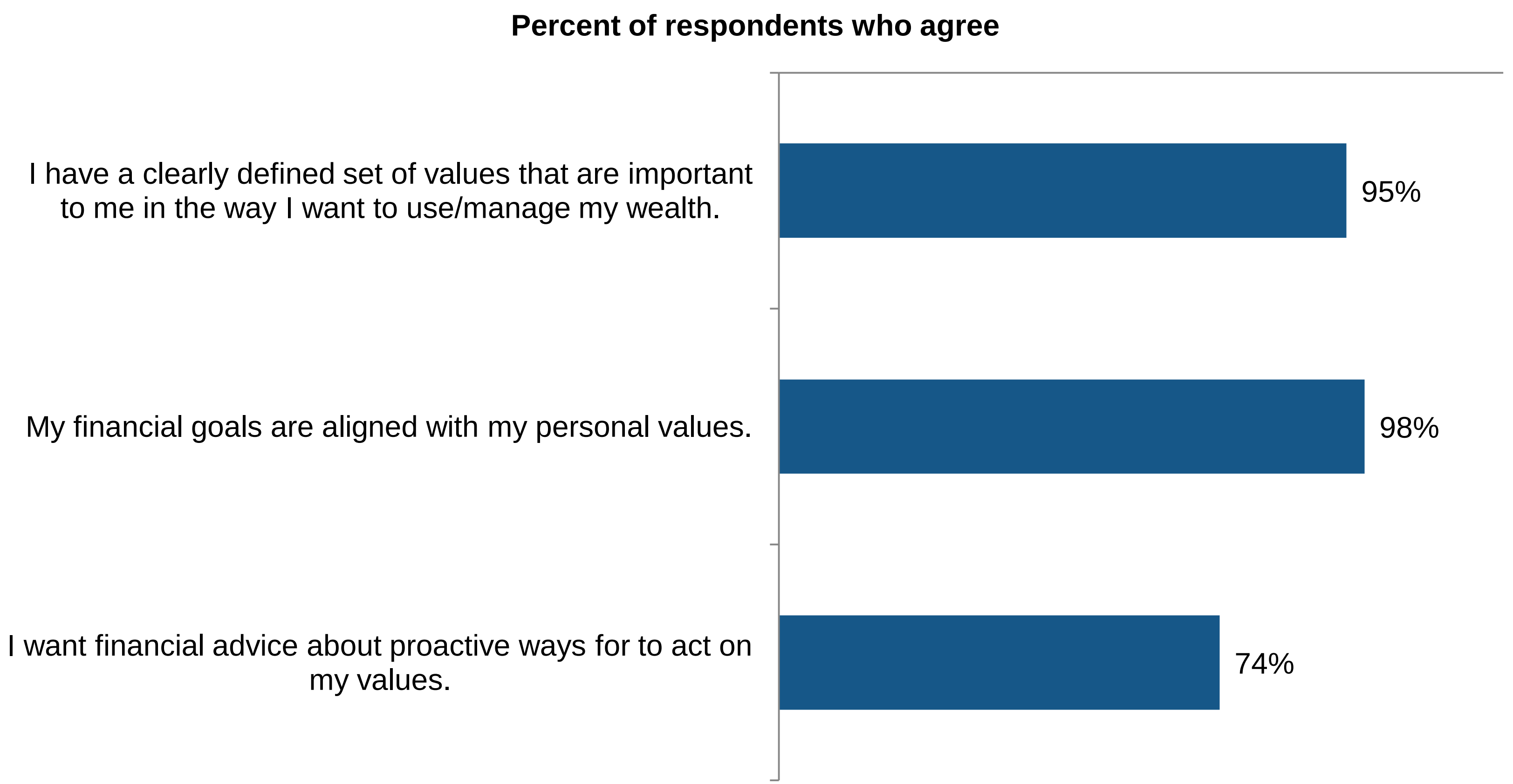
- **Nearly all (95%) said they have a clearly defined set of values for the management of their wealth and that their financial goals are aligned with their personal goals.**
- **Roughly, three-quarters say they want their financial advisor to proactively provide advice for acting on values.**



Q6. I have a clearly defined set of values that are important to me in the way I want to use/manage my wealth.

Q6. My financial goals are aligned with my personal values. Q34. My primary financial advisor understands the way I want to use/manage wealth. Q34. I want my advisor to provide proactive ways to act on values.

Personal goals for using wealth

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- **Providing financial security for themselves and their family is the most important way the wealthy want to use their wealth.**
- **Leaving a financial inheritance behind after they are gone is perceived as less important than more immediate goals such as travel and quality of relationships.**

Ranking	Goal	% "important"	On Track?
#1	Financial security for you/family	90%	✓
#2	Financial freedom	78%	✓
#3	Travel	64%	✓
#4	Quality of relationships with family and friends	53%	✓
#5	Leaving a financial inheritance	49%	✓
#6	Having fun	36%	✓
#7	Making a positive impact on society	36%	✓
#8	Education	25%	✓
#9	Leaving a legacy of contribution to society	13%	✓
#10	Something else	2%	✓

Q9. When it comes to the way you want to use your wealth, which of the following do you consider to be important to you personally? (select up to 5 responses)

Protecting assets: Estate planning and intergenerational wealth transfer

Most wealthy have developed an estate plan

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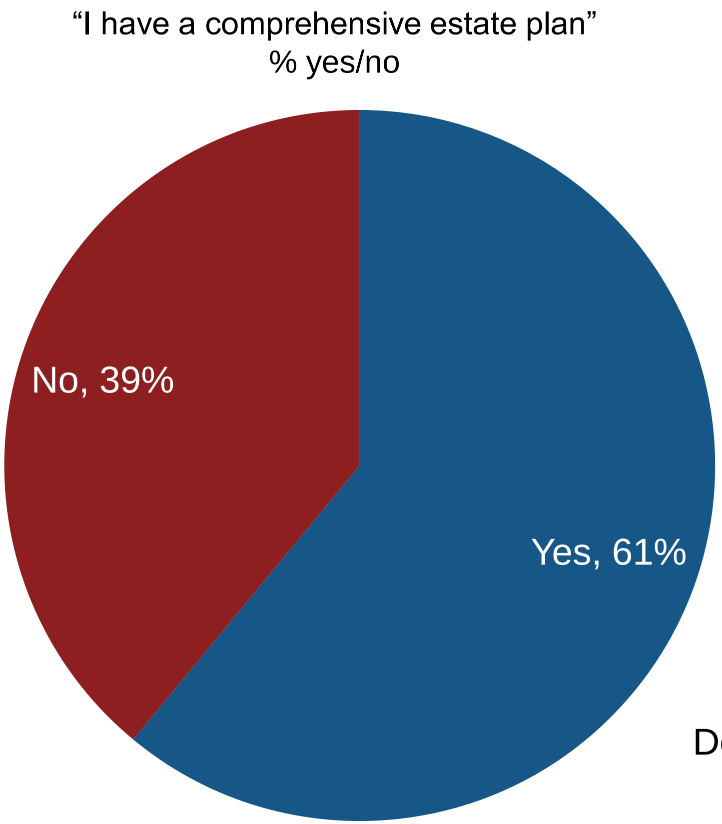
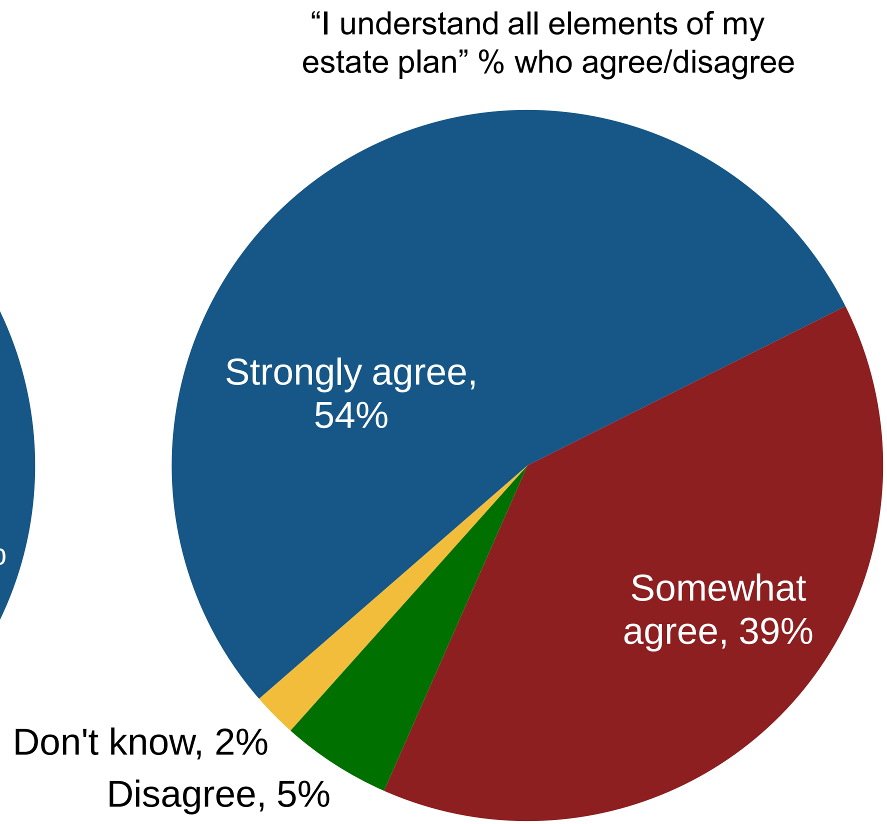
- **While 88 percent say they have an estate plan, four in 10 acknowledge that it is not comprehensive.**
- **Half feel strongly that they understand all the elements in their estate plan, though about four in 10 percent agree with this only somewhat.**





Q13. Please indicate the extent to which you agree or disagree with each of the following statements?

Q19. Which of the following documents do you currently have in place? (select all that apply)

Basic estate planning is in place, but sophisticated elements are missing

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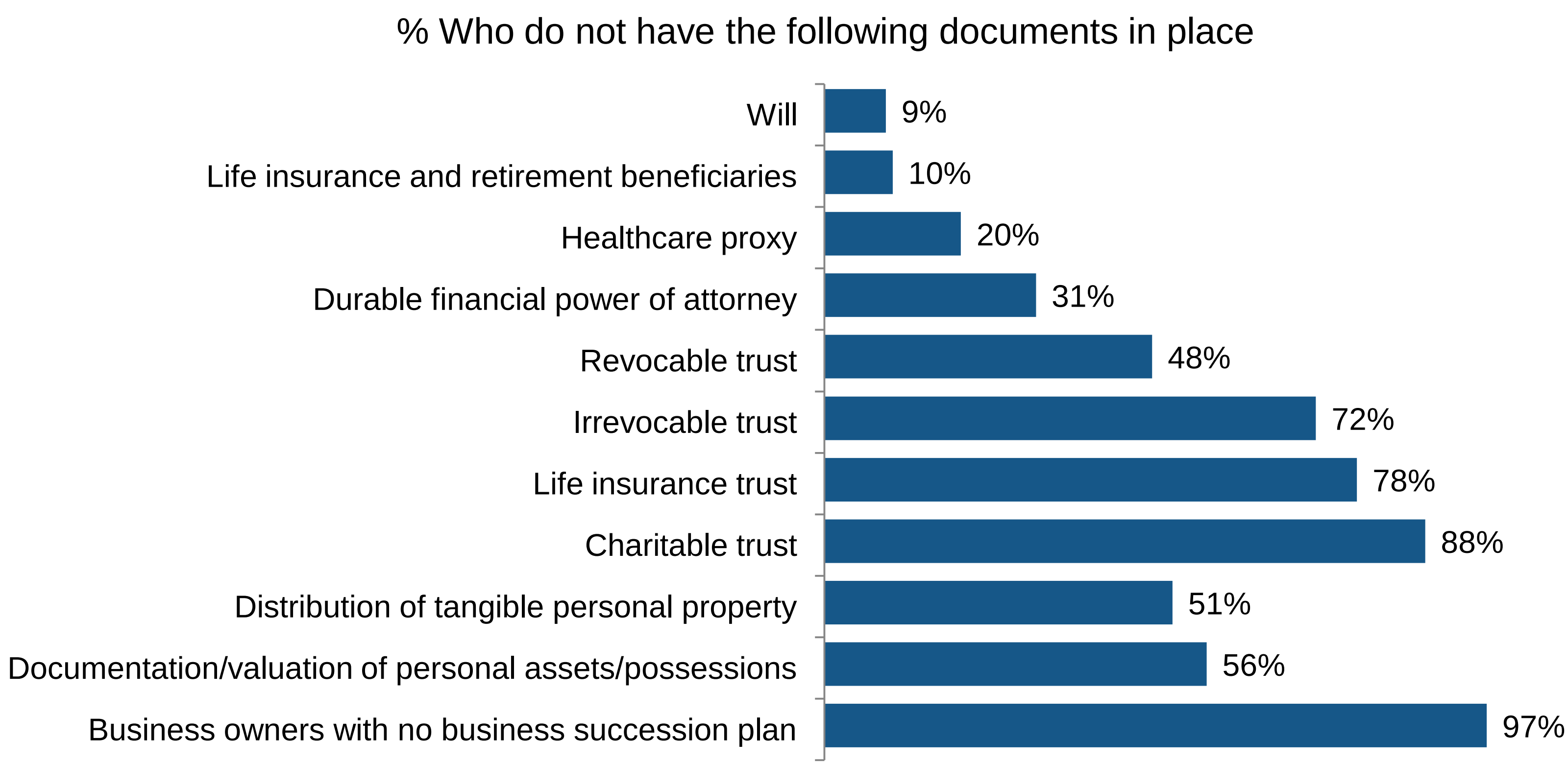
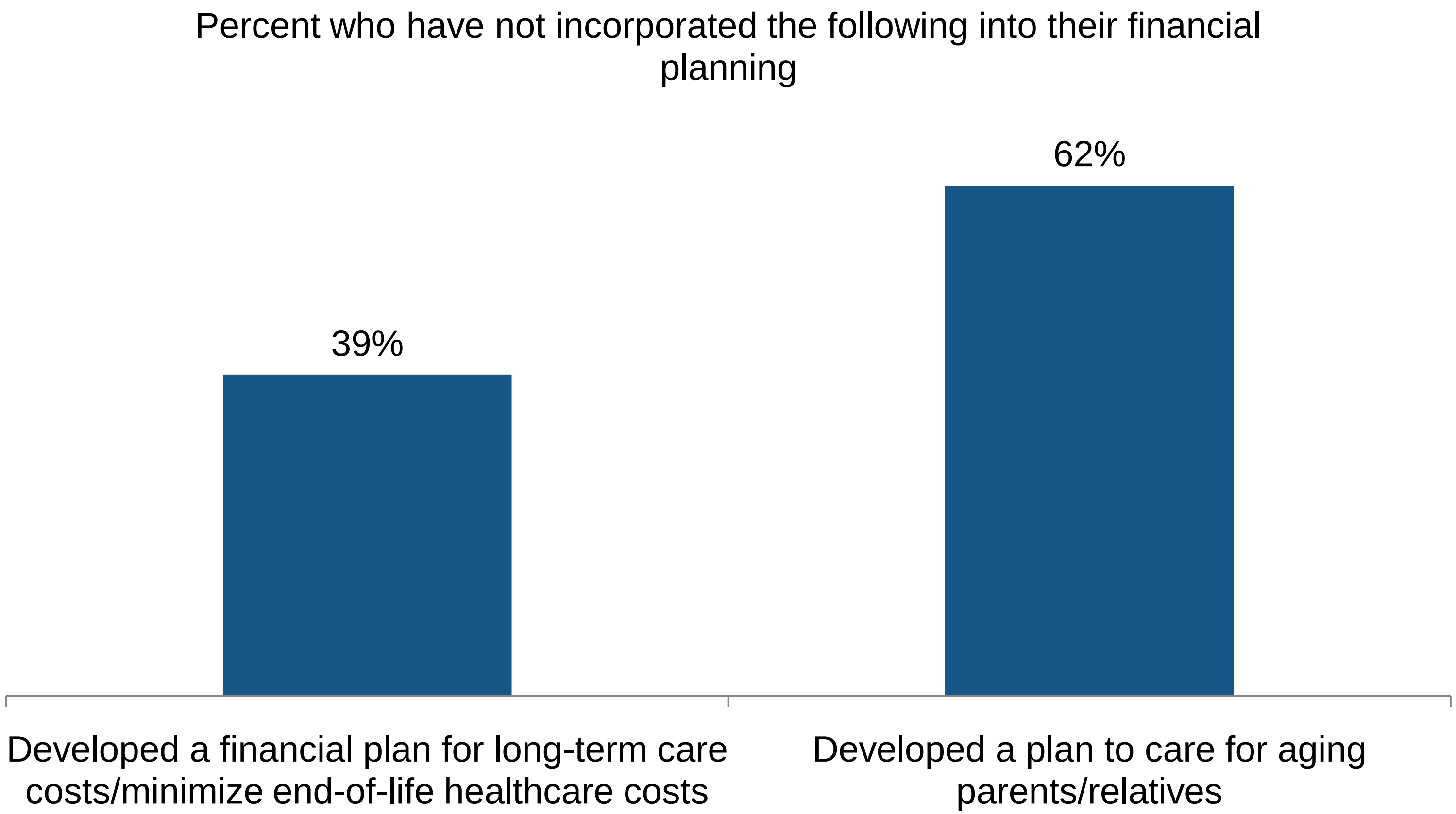
- **Almost all (92 percent) have a will and life insurance/retirement beneficiaries named, yet 20 percent don't have a healthcare proxy and 31 percent don't have a durable power of attorney named.**
- **More sophisticated estate planning tools, such as trusts, are being underutilized despite their value in protecting assets and goals.**
- **Only 3 percent of business owners said they have a business succession plan in place.**



Q19. Which of the following documents do you currently have in place? (select all that apply)

Financial planning does not account for the unexpected



Q17. Which of the following have you ever done?

Many wealthy parents feel their children are not prepared to handle family money

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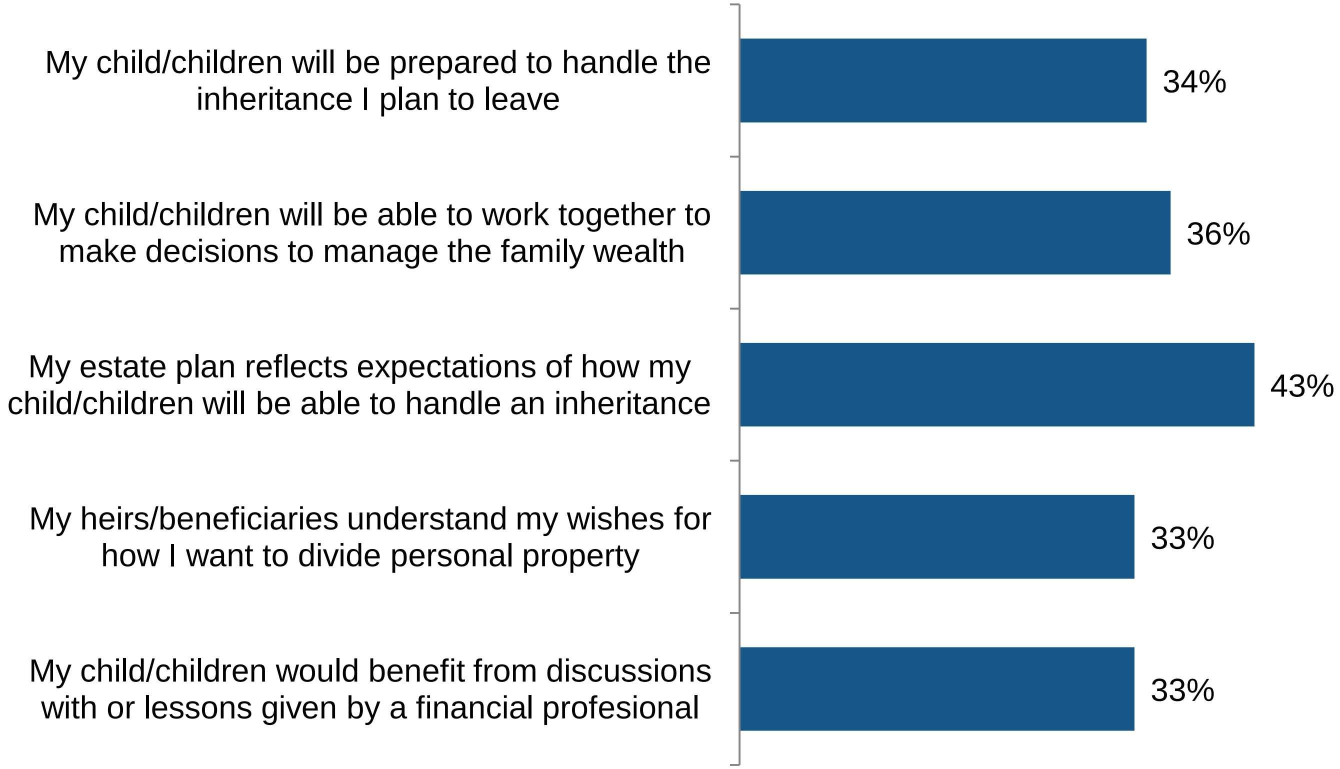
- **Only 34 percent of parents strongly agree and 17 percent of parents disagree that their child/children will be able to handle family money.**
- **84 percent of parents agree their children would benefit from discussions or lessons given by a financial professionals, of whom approximately one-third strongly agrees.**

Percent who strongly agree with the following



Q24. Please indicate the extent to which you agree or disagree with each of the following statements.

Parents are hesitant to discuss family wealth with their children

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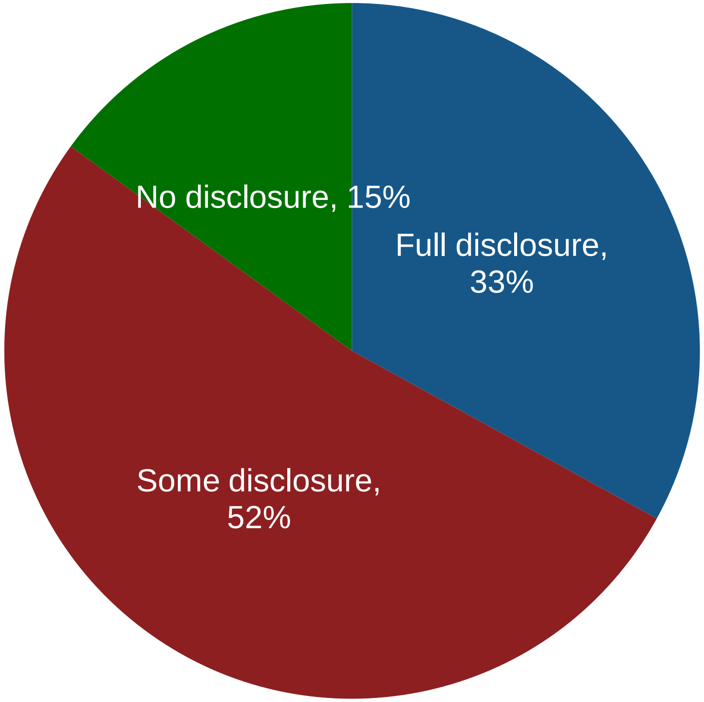
- **Only one-third of wealthy parents have fully disclosed details of family wealth to their children.**
- **More than half have provided some disclosure.**
- **15 percent of parents have disclosed nothing about family wealth to their kids, primarily because of concerns about how it might affect their children and the choices they make.**

Percent of parental disclosure to children about family wealth



Reasons for not discussing wealth with children	
Never thought of it	31%
“They will become lazy”	24%
“My child/children aren’t mature enough”	22%
“They will make poor decisions”	20%
“They will squander money lavishly”	20%
“They will be taken advantage of”	13%
“They will marry the wrong person”	5%
“They will squander money on addictions”	5%
“I don’t know how to bring it up”	5%

Q25. To what extent have you disclosed your wealth to your [child/children]?

Age when children will reach financial maturity to handle family money

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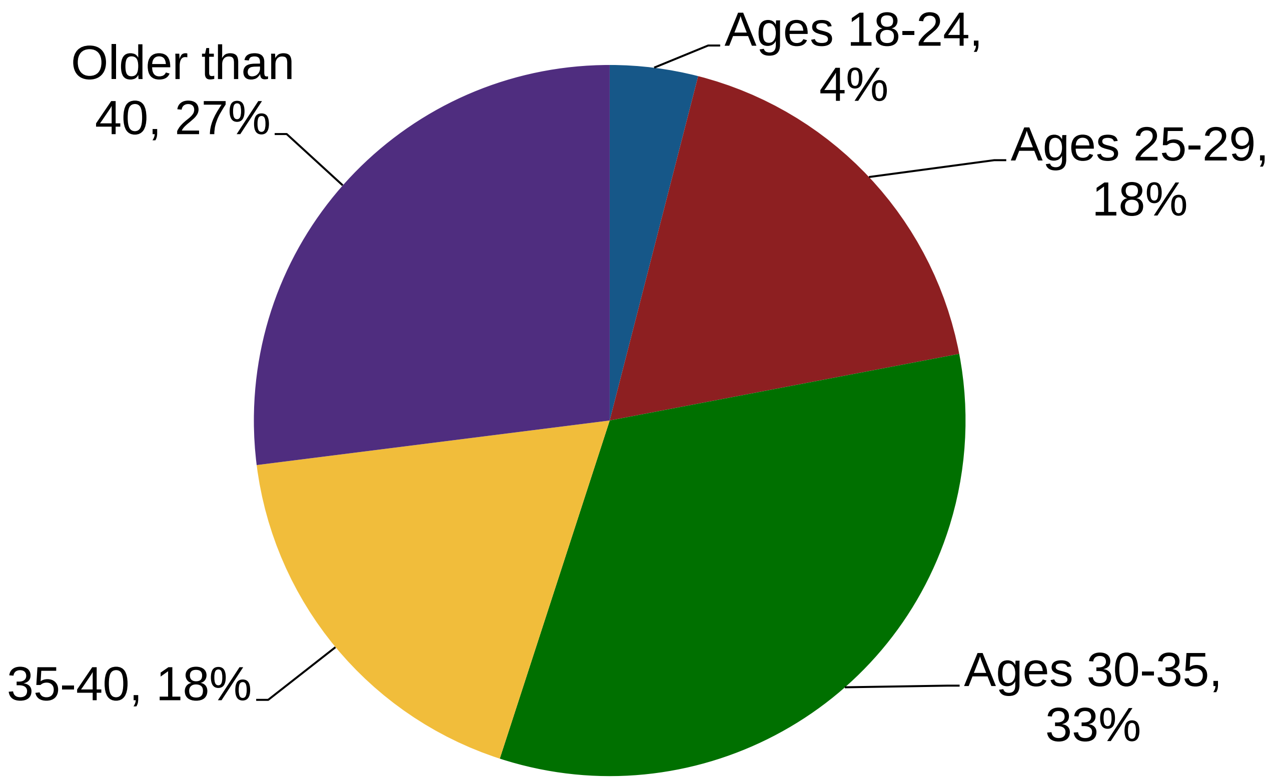
- **There are diverse opinions on the age wealthy parents believe their children will reach a financial maturity level where they will be able to adequately handle the money they will receive.**
- **Nearly half (45 percent) do not believe their children will reach a level of financial maturity to handle the family money they will inherit until they are at least 35 years old.**



Q23. At what age do you think your {child/children} will have reached a financial maturity level where {he or she/they} will be able to adequately handle the money they will receive?

Spouses share decisions that affect use of money

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- **Both primary members of the household are typically involved in decisions that affect the use of money/wealth.**
- **Approximately one-quarter say that a professional trustee or a family member trustee also is involved in decisions about the use of wealth.**
- **Women are less likely than men to designate themselves as the primary decision-maker in the household, and they are more likely to say that a child or grandchild shares in decisions.**

% Who Are Involved In Decisions	Total HNW	Male	Female
Spouse/significant other	94%	93%	96%
Professional trustee	25%	22%	29%
Family member trustee	24%	21%	27%
Children/grandchildren	22%	18%	28%
Friend	7%	8%	5%
Parent/grandparent	5%	4%	6%
Other relative	4%	4%	4%
Someone else	7%	9%	5%

% Who is Dominant Decision Maker?	Total HNW	Male	Female
Me	78%	90%	61%
Spouse/significant other	20%	8%	35%
Professional trustee	1%	1%	1%
Children/grandchildren	1%	--	2%
Other relative	<1%	<1%	--
Friend	<1%	1%	--
Family member trustee	<1%	--	1%

Q21A. In Column A, please indicate whether each of these people is involved in decisions that affect the use of your money/wealth?

Q21B. In Column B, please select which person is the dominant decision-maker when it come decision that affect the use of your money/wealth?

Spouses discuss pressing financial decisions; more difficult topics are often avoided

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- **The majority of respondents have discussions with their spouse/significant other about important financial decisions as well as personal values in the way wealth is used and managed. Taxes are the most likely topic to have been discussed in HNW households.**
- **One-third have not talked with their spouse/significant other about each other's debts and obligations.**
- **Complex or difficult discussions such as long-term care plans, estate plan details are not frequently shared, and men are less forthcoming than women on these topics.**

				Investable Assets	
% Had This Discussion in Past Year w/ Spouse/Significant Other	**Total HNW (A)**	**Male (B)**	**Female (C)**	**<$10M (H)**	**$10M + (I)**
Taxes	90%	87%	94% b	90%	83%
Decisions made w/ financial advisor(s)	79%	75%	86% b	80%	73%
Personal values in the way wealth managed	79%	75%	85% b	79%	75%
Investment decisions/ risk tolerance	78%	72%	88% b	79%	70%
Content/location of important documents	76%	75%	78%	78%	63%
Family budget	75%	71%	80% b	75%	68%
Charitable giving	74%	69%	81% b	75%	68%
Names listed on joint investments	72%	70%	75%	73%	60%
Expectation of income needs in retirement	71%	68%	74%	71%	65%
Each others' debts/obligations	67%	64%	71%	68%	53%
Details of estate plan	60%	55%	68%	59%	65%
Projected long-term care plans	54%	49%	62%	55%	45%

Q22. When was the last time you have had discussions with your spouse/significant other about…

Many sophisticated wealth management issues have never been discussed with an advisor

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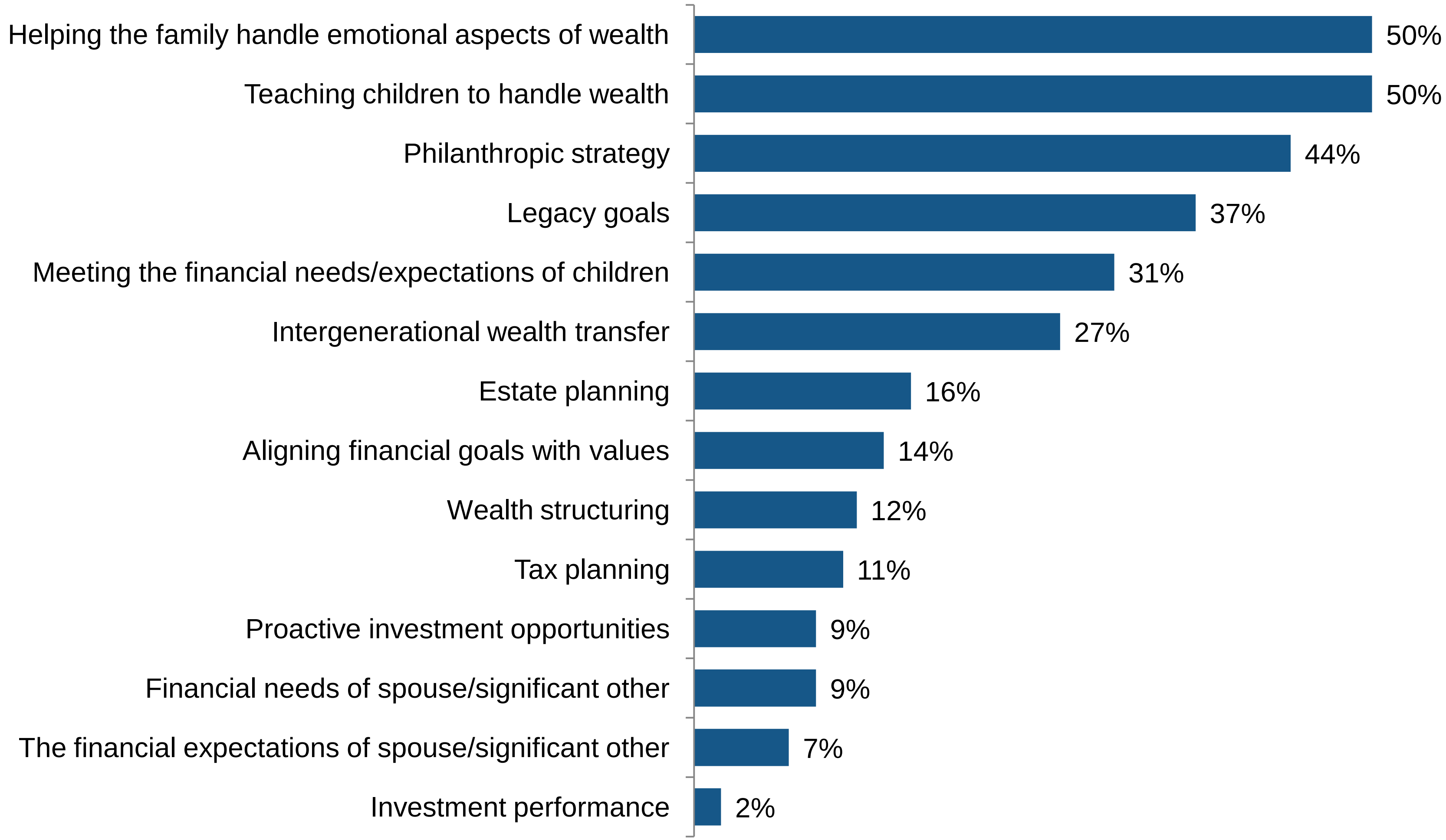
Percent who have never discussed the following topics with their financial advisor



Q35. For each of the following please indicate how satisfied you are with the value of advice you receive from your primary financial advisor.

The financial downturn had little effect on financial behavior of the very wealthy

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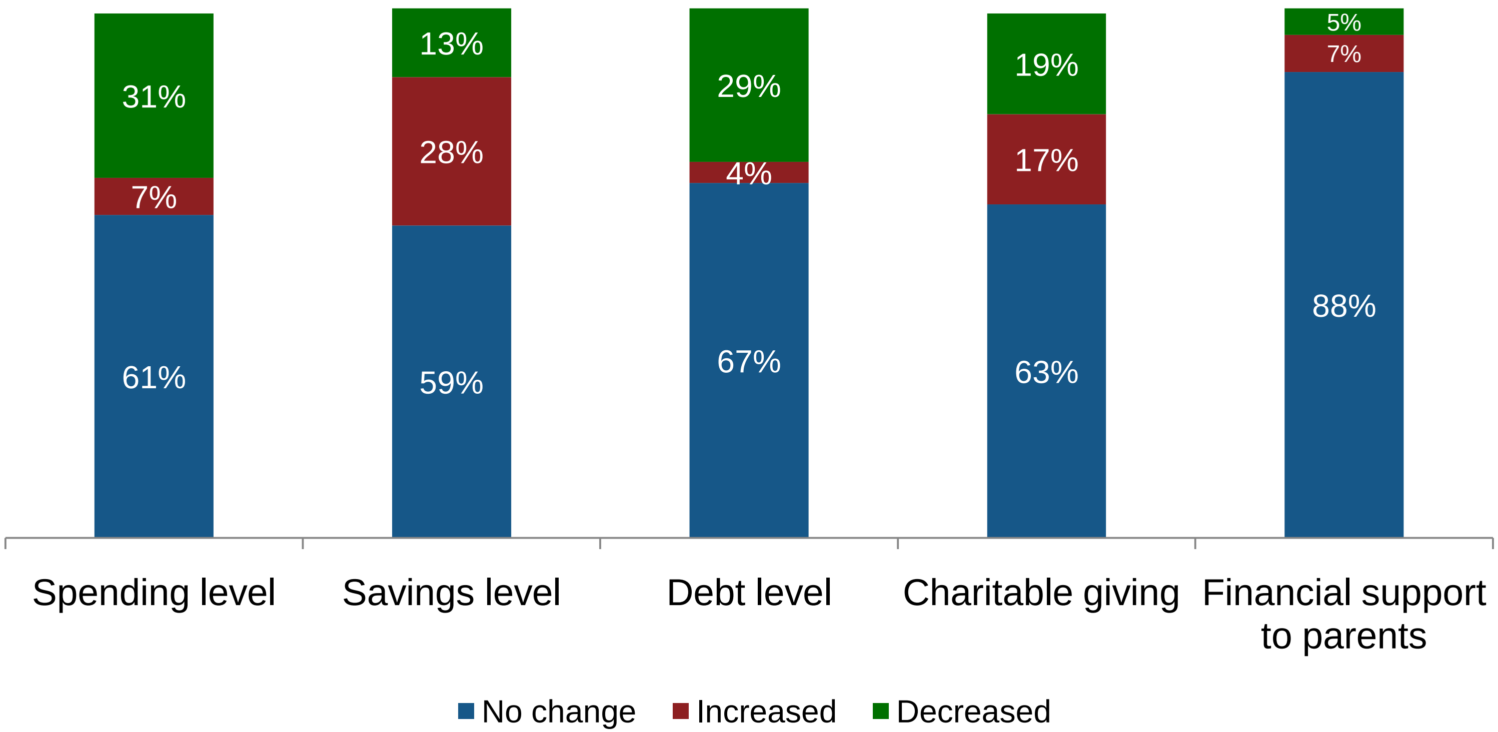
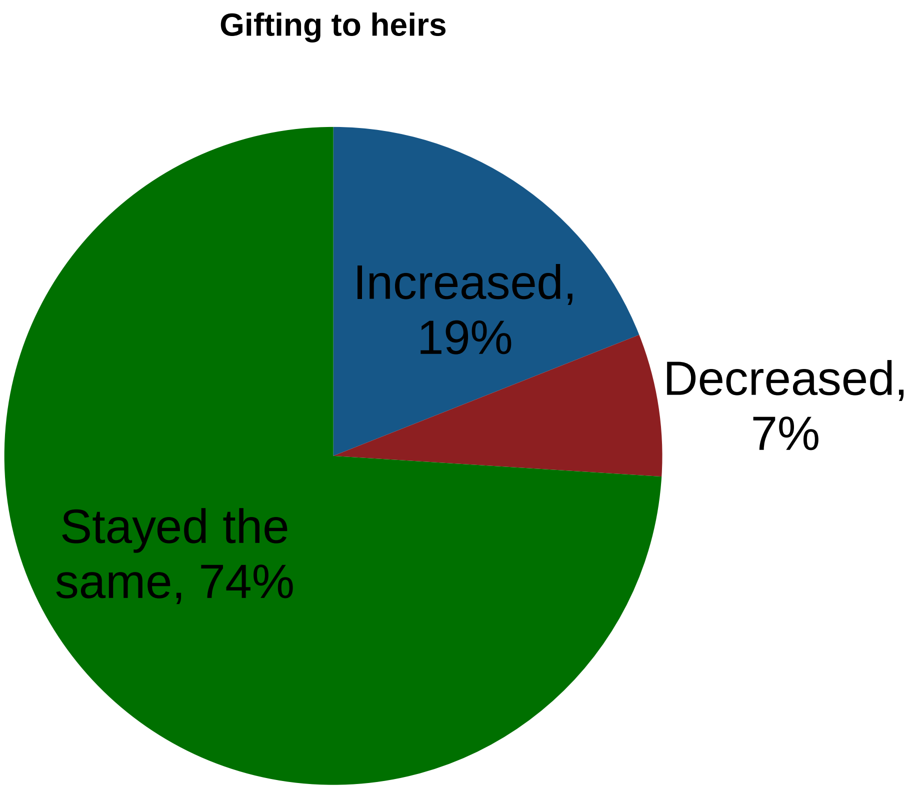
- **Most high net worth households have not changed their behavior since the market downturn.**
- **Approximately one in three decreased their spending and debt levels, and nearly as many increased their savings.**



Q14. Thinking about the impact of the market meltdown and recession on your behavior, please indicate how you have changed each of the following?

Gifting to heirs

- **Approximately three-quarters of respondents have not changed their gifting levels to heirs as a result of the market declines.**
- **Only one in five has increased their gifting to heirs, despite the current window of opportunity and tax advantages for doing so.**



Q14. Thinking about the impact of the market and recession on your behavior, please indicate how you have changed your gifting level to heirs.

Confident that portfolio reflects risk tolerance; not as confident about taxes

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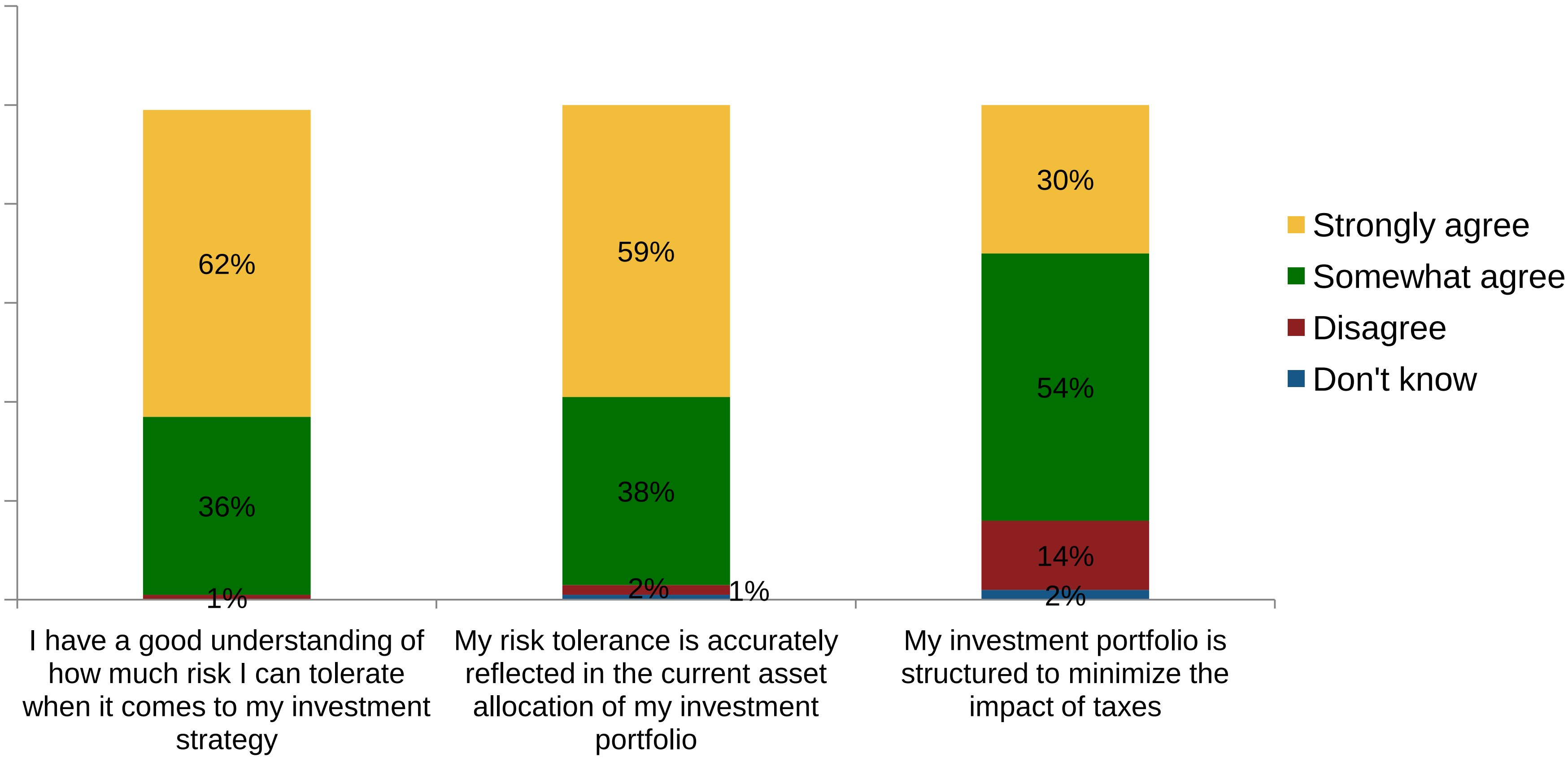
- **Nearly unanimously, respondents feel that they have a good understanding of their risk tolerance and that their risk tolerance is accurately reflected in the current asset allocation of their investment portfolio.**
- **Fewer agree strongly that their investment portfolio is structured to minimize the impact of taxes.**



Q13. Please indicate the extent to which you agree or disagree with each of the following statements?

Tax policies and perceptions on wealth in society

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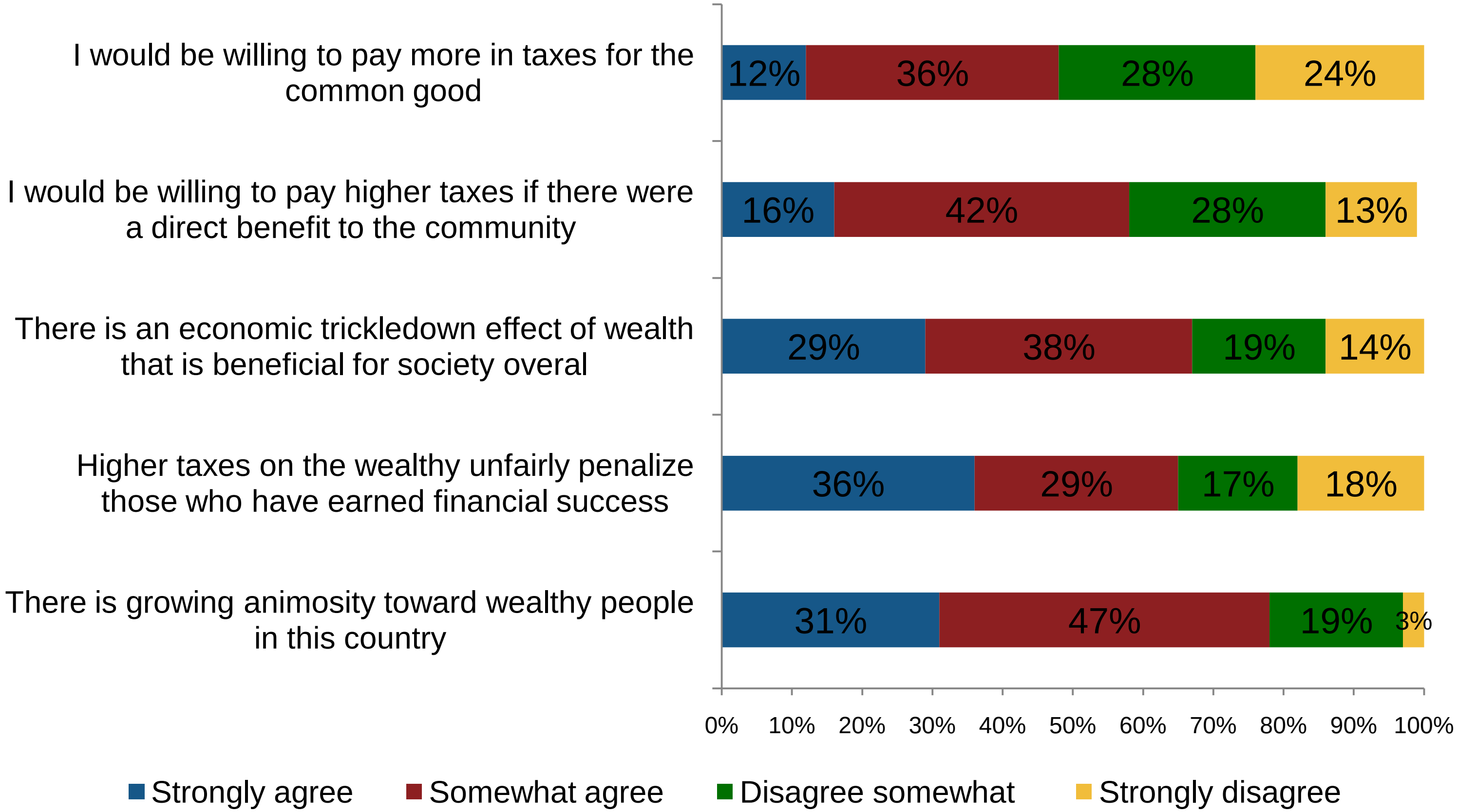
- **While many feel that higher taxes on the wealthy unfairly penalize those who have earned financial success, nearly two thirds agree that the trickledown effect of wealth is beneficial for society overall.**
- **About half would be willing to pay more in taxes for the common good, and six in 10 would be willing to pay more in taxes if there were a direct benefit to the community.**
- **More than three-quarters of respondents agree that there is growing animosity toward wealthy people in this country, with one in three strongly agreeing with this.**



Q16. Please indicate the extent to which you agree or disagree with the following statements.

Active retirement years are planned

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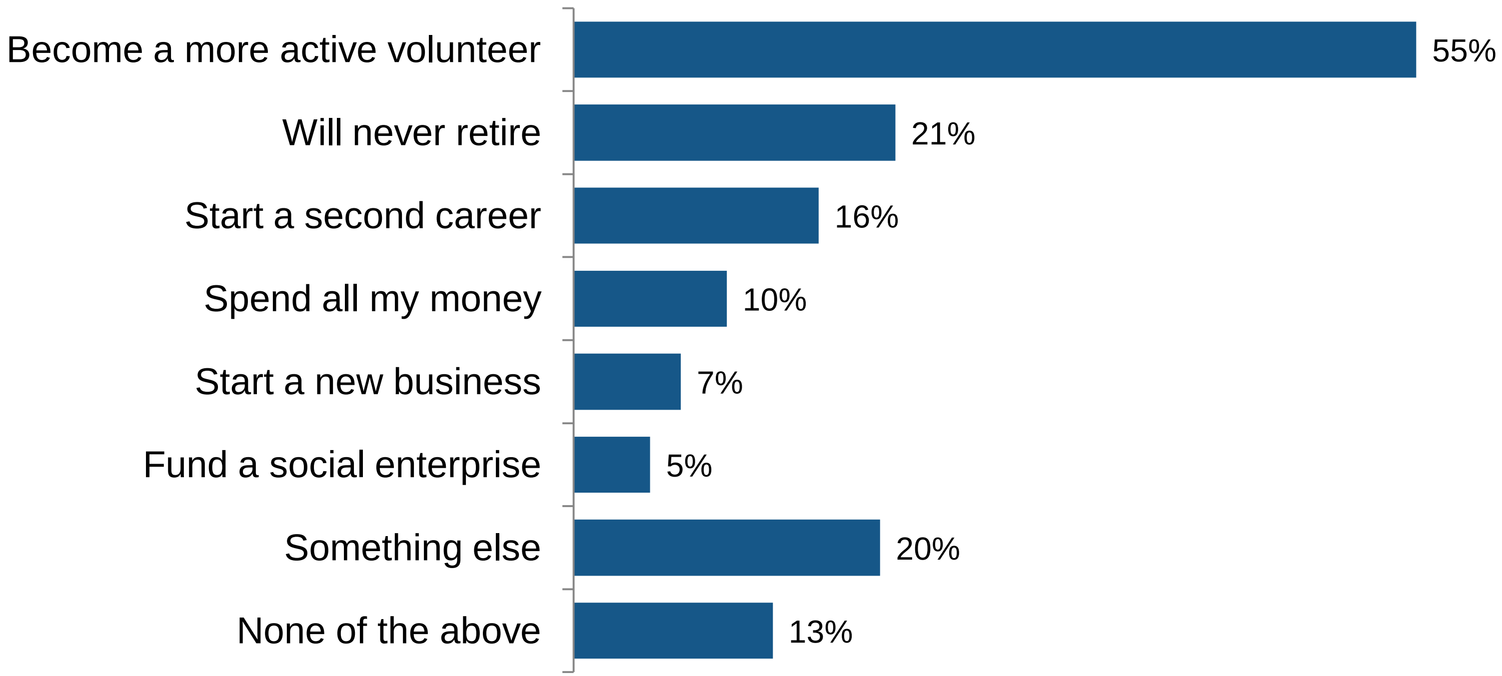
- **Nearly half of respondents (47 percent) will continue to work in retirement by starting a second career, starting a new business or never retiring from their current work.**
- **32 percent of those with more than $10M versus 19 percent of those with less than $10M say they will never retire.**
- **More than half (55 percent) will become more active volunteers.**

Plans in retirement



Q32. In terms of your future, what are you likely to do after you retire? (select all that apply)

Financial advisors used

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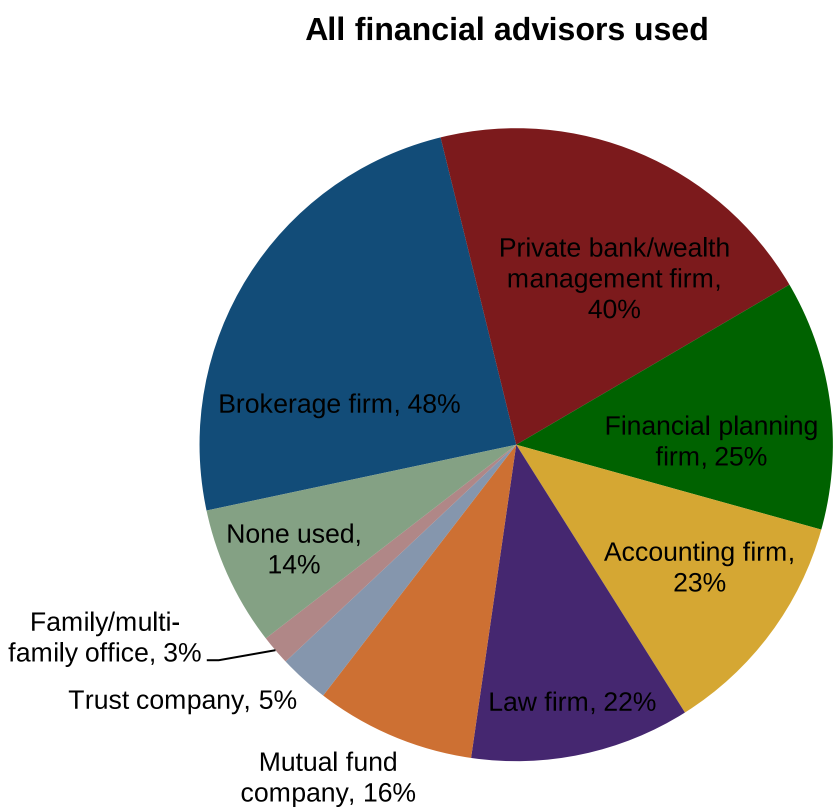
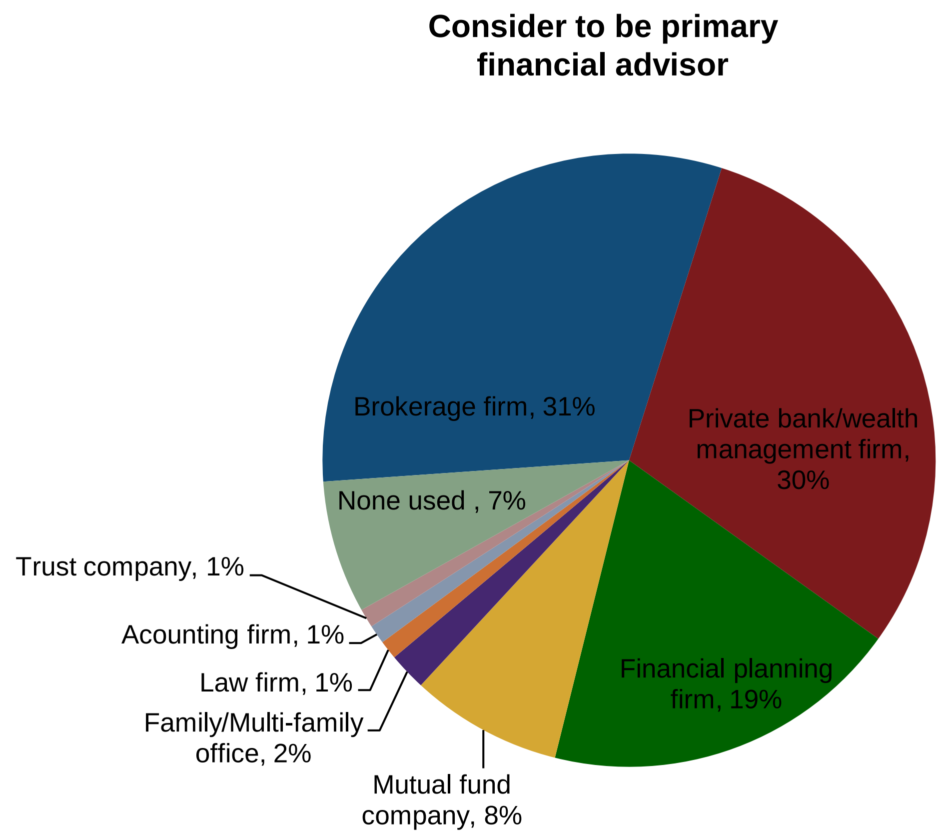
- **The wealthy use a variety of different types of financial advisors, with nearly one-half using the services of a brokerage firm and 40 percent using a wealth management/private banking firm**
- **Six in 10 consider their primary financial advisor to be either a private bank/wealth management firm or brokerage firm.**
- **14 percent of respondents do not use any advisor.**





QS9. Which of the following types of professionals serve as advisors to you about your wealth/financial affairs? (select all that apply)